

20 May 2025

India | Equity Research | Results Update

Petronet LNG

Oil & Gas

Muted volume growth in FY25, sharply higher capex to dent returns over FY26–28E

Petronet LNG (PLNG) reported 16%/13% YoY/QoQ increase in adj. EBITDA to INR 12.8bn and +21%/+19% YoY/QoQ change in adj. PAT to INR 8.9bn. Reported PAT was INR 10.7bn with an INR 2.3bn reversal of UoP provision. Volume of 189tbtu at Dahej was 30 tbtu/24tbtu lower QoQ/YoY. Gross margin of INR 8.9bn was up 9% QoQ. Moderate LNG prices, expansion at Dahej by 5mt by H1FY26 and the completion of the Kochi-Bengaluru pipeline by CY25 should bode well for PLNG, but may be offset by: 1) lack of clarity on offtake contracts for the 5mt expansion planned by H1FY26E; 2) growing competition from competing terminals, including Dahej; 3) aggressive capex planned for the INR 200bn petchem plant and INR 50bn Gopalpur terminal, which would dent return ratios. Retain **SELL**; TP revised to INR 250.

A weak quarter and muted year for volumes

Dahej's long-term volume, at 99tbtu, was down 7% YoY (+3 % QoQ); service volume, at 89tbtu, was down 18%/22% YoY/ QoQ driven by higher LNG prices, refineries switching to liquid fuel and shutdown of some fertiliser plants (also highlighted by GAIL in its quarterly call). Spot cargoes were at 1tbtu. While Kochi's volume of 16tbtu remains modest, the imminent completion of the second leg of the Kochi-Mangalore-Bengaluru pipeline and softer LNG prices should help improve volumes over the next 12–18 months. Management envisages domestic LNG demand improving 6–7% annually aided by moderate prices, higher global liquefaction supply and higher LNG import capacity in India, which should support steady improvement in PLNG's volumes as well.

Steady growth over FY26–28E, but concerns remain

~170–190mt of global liquefaction capacity addition over the next 4–5 years creates a comfortable supply surplus and shall support utilisation at Dahej, post capacity expansion to ~22.5mt by end-FY25. Capacity expansion globally also coincides with the imminent completion of the Kochi-Bengaluru leg of the Kochi offtake pipelines. That said, there has been little progress on tying up additional contracts for the 5mt additional capacity with the completion of Dabhol's breakwater and other terminals ramping up posing competitive pressures. We factor in 1,010/1,073/1,138tbtu volumes over FY26/27/28E.

Financial Summary

Y/E March (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	5,09,820	6,02,840	6,99,595	8,12,851
EBITDA	55,242	59,974	62,998	67,130
EBITDA %	10.8	9.9	9.0	8.3
Net Profit	39,727	43,065	44,800	47,377
EPS (INR)	26.5	28.7	29.9	31.6
EPS % Chg YoY	8.8	8.4	4.0	5.8
P/E (x)	12.0	11.0	10.6	10.0
EV/EBITDA (x)	7.2	6.9	6.9	6.5
RoCE (Pre-tax) (%)	22.0	21.4	20.4	19.8
RoE (%)	21.3	20.6	19.4	18.6

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Market Data

Market Cap (INR)	475bn
Market Cap (USD)	5,549mn
Bloomberg Code	PLNG IN
Reuters Code	PLNG.BO
52-week Range (INR)	385 /253
Free Float (%)	50.0
ADTV-3M (mn) (USD)	8.0

Price Performance (%)	3m	6m	12m
Absolute	3.2	0.9	1.1
Relative to Sensex	(4.0)	(3.7)	(8.6)

ESG Score	2023	2024	Change
ESG score	66.9	70.4	3.5
Environment	50.2	59.5	9.3
Social	75.0	74.7	(0.3)
Governance	74.6	74.9	0.3

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
Revenue	(15.1)	(13.7)
EBITDA	(0.3)	0.2
EPS	0.1	0.6

Previous Reports

29-01-2025: [Q3FY25 results review](#)

25-10-2024: [Q2FY25 results review](#)

Capex to rise materially over next 2–3 years

PLNG mentioned that annual capex will likely ramp up to INR 45–50bn for FY26E (INR 25bn for petchem). Our sense is, it will likely accelerate to meet commissioning timelines for the petchem project. Additionally, with the decision to now progress the Gopalpur LNG terminal to a land-based terminal, the implied capex would increase to INR 50bn, from INR 18–20bn for an FSRU – capex shall go up and returns shall be back ended. Thanks to this, RoCE is estimated to decline 400bps and RoE by 200bps by FY28E (vs. FY25 levels). Coupled with just ~5% EPS CAGR over FY26–28E and valuations at the mid-point of long-term bands, we do not see too many upside triggers in the stock. Reiterate **SELL**.

Why are we negative?

With the sharply improved LNG pricing environment, 5mt capacity expansion at Dahej by H1FY26 and the visibility of completion of Kochi–Bengaluru pipeline by CY25, available capacity may improve materially for PLNG by FY26E. However, despite the near-term momentum and macro environment, we still believe risk-reward to be unfavourable for PLNG from an 18-month perspective.

Existing long-term volumes, offtake for expanded capacity not a done deal: While management has been confident of maintaining 95%+ capacity utilisation of their Dahej terminal, we note that volumes beyond 16.75mt of tied up contracts remain subject to market forces. While the tariffs for Dahej remain extremely competitive vs. other terminals, this change does create additional headwinds for utilisation beyond FY26–28E.

Economics of petchem project is unfavourable: Our estimates suggest a requirement of USD 800/t + EBITDA to achieve reasonable IRR from the project. This is extremely unlikely, given the last couple of years' average of USD 330–350/t being earned even by the most integrated player in the country.

Regulatory scrutiny and higher capex make Gopalpur terminal's prospects uncertain: With the latest notification of the PNGRB ([here](#)) mandating regulatory approvals of new terminals; and the higher capex due to change to a land-based terminal, timelines and returns for the upcoming Gopalpur project may be muted.

Overall FY26–28E EPS growth may be muted: Our revised estimates, factoring in steady growth in utilisation of the expanded capacity and margins similar to the strong levels being seen in FY25 still drive a muted CAGR of ~5.8% in EBITDA and 4.9% in EPS over FY26–28E.

Return ratios to compress: RoE/RoCE of 22%/23% in FY24 should drop to ~19.4%/18.8% levels by FY27E, driven by slow EPS growth and very high capex, which could take longer to deliver returns.

On balance, PLNG is looking at muted EPS growth of ~4.9% (EPS CAGR FY26–28E), steady cashflow (aggregate OpCF of INR 143.1bn over FY26–28E) and reasonable dividend yield (~4.8% over FY26–28E). Moreover, valuations of 10.6x FY27E PER (above 5-year average) and 2x P/BV (below 5-year average) appear like a risky bet on diversification at a scale at which PLNG has not operated before. Maintain **SELL**

Key risks

Upside risks: Stronger utilisation; sharp reduction in LNG prices; and favourable extension of the RasGas contract.

Downside risks: Higher disruption in Russian supplies; and slower execution of expansion plans.

Q4FY25 conference call takeaways

Quarterly performance

- Dahej throughput for Q4FY25 was 189tbtu vs. 213tbtu in Q3FY25 and 219tbtu in Q4FY24. Overall throughput was 205tbtu (Dahej and Kochi) vs. 228tbtu in Q3FY25 and 234tbtu in Q4FY24. For FY25, PLNG achieved its highest-ever throughput of 934tbtu vs. 919tbtu in FY24. Volume at Dahej was 875tbtu in FY25 vs 864tbtu in FY24.
- In Q4FY25, Dahej volumes declined due to higher spot prices, lower crude prices (driving lower liquid fuel prices) leading to lower offtake by refineries and shutdown of a fertilizer plant.
- Re-gasification service's revenue for the quarter was INR 5,890mn.
- Trading gain during the quarter was INR 520mn; inventory gain was INR 550mn.
- IndAS impact for the quarter was positive INR 1,650mn on gross margin levels with forex loss of INR 10mn, depreciation of INR 800mn and interest of INR 580mn. Impact at other expenditure level was positive INR 70mn. Net Impact for the quarter was INR 360mn.
- IndAS net impact for FY24 was zero and was positive INR 130mn positive for FY25. The impact should be positive going forward.

UoP

- The company has received INR 3.6bn of user pay (UoP) dues pertaining to CY21 thanks to the board approved mechanism in place and has reversed provision of INR2.3bn in Q4FY25.
- UoP charges are carved out separately during the quarter; hence, normalised operating expenditure is reflected in profit and loss account.
- Volume to the extent of 33tbtu in FY25 was additional volume brought by off-takers against UoP charges dues.
- None of the bank guarantees were encashed and User or Pay (UoP) charges for CY21 were paid by off takers.

Capex

- Management has guided for capex of INR 45–50bn for FY26; out of which, INR 25bn would be towards petchem project. Balance would be towards Dahej third jetty, INR 0.8–1bn routine capex at Kochi terminal, INR 0.8bn for truck loading facility at Dahej and Kochi, INR 0.8bn for corporate building in Dwarka, INR 1bn towards new corporate office in Delhi, INR 1bn towards CBG plants mandated by government, INR 3bn for Gopalpur project.
- Dahej expansion from 17.5mt to 22.5mt shall be ready for commissioning in next 3-4 months. The company is in discussion with various parties for offtake agreement; existing customers shall also bring in additional volume.
- Petchem project is expected to come online by Q4FY28. The project work is progressing in a full swing.
- On Kochi Bangalore pipeline – the pipeline connectivity from Kochi to Coimbatore is established and Kochi to Bangalore pipeline connectivity shall be ready by end of CY25. The project comes under critical project and is being monitored by PM office.
- The board has approved INR 23bn for Gopalpur terminal in FY22 and project cost is expected to increase to INR50bn on account of setting up land-based terminal. The project is expected to take 3-4 years to come online.
- The company expects good utilisation at Gopalpur terminal, as it would cater to the country's eastern demand. The three pipeline JHBDPL, Mumbai-Nagpur-Jharsuguda pipeline, Srikakulam-Angul should connect to Gopalpur terminal.

Demand Outlook

- Global liquefaction capacity is expected to increase by ~200mt in next 4-5 years
- India gas demand is expected to grow by 6–7% for the next few years. With Dahej terminal well connected with GAIL and GSPL pipeline, PLNG volume should also grow by similar rates for next couple of years
- In the last two years, Indian LNG importers have signed 15–20mt of LNG contracts. Out of which, 7.5mt is Petronet Qatar contract, 8–9mt are contracts signed by GAIL, GSPC, IOCL, BPCL, etc. Some of these are under existing agreements and some are additional. Additional volumes are expected to flow through PLNG's expanded terminal.
- On 6 Feb'24, the company renewed its LNG contract with Qatar of 7.5mt for another 20 years. PLNG has an assurance that entire volume shall be taken by GAIL, BPCL and IOCL; and would shortly be signing downstream agreements with them.
- Though Dabhol break water terminal is completed, the company don't see any major impact of this in a longer run to its Dahej terminal.

Others

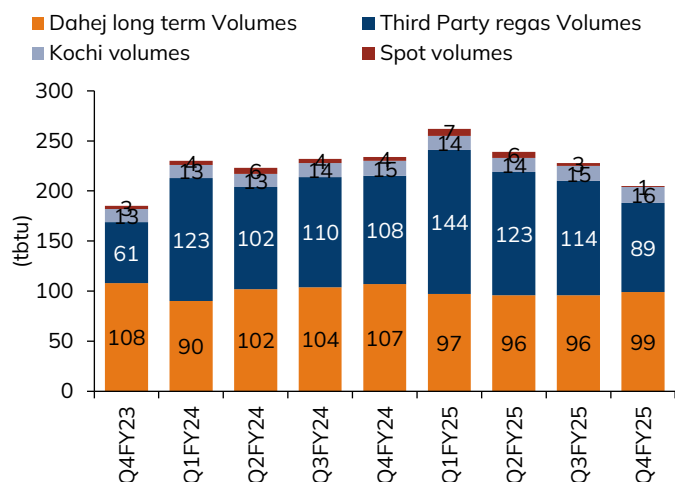
- The company does not foresee major challenges on account of the LNG registration notification which was announced on 8 May'25
- Gorgon volume brought to Dahej in FY25 was 16.9tbtu and 3.9tbtu in Q4FY25
- In Q1FY26 so far, the company has started seeing recovery in volumes with cool down of Spot LNG prices and refineries back to using to LNG (switch from Naphtha). Morbi is still competitive vs. propane but with further decline in LNG prices, more propane should be replaced

Exhibit 1: Q4FY25 result snapshot (standalone)

INR mn	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY24	% Chg
Net Sales	1,23,158	1,37,932	(10.7)	1,21,099	1.7	5,08,626	5,22,709	(2.7)
EBITDA	12,793	11,040	15.9	11,307	13.1	52,451	47,490	10.4
EBITDA (INR/mmbtu)	62.4	47.2	32.3	49.6	25.8	56.2	51.7	8.7
Reported PAT	10,702	7,376	45.1	8,670	23.4	39,264	35,362	11.0
Adjusted PAT	8,953	7,376	21.4	7,500	19.4	37,061	30,787	20.4
EPS (INR)	6.0	4.9	21.4	5.0	19.4	24.71	20.52	20.4
Dahej Sales (tbtus)	189	219	(13.7)	213	(11.3)	875	864	1.3
Other income	1,995	1,568	27.3	1,961	1.8	8,153	6,167	32.2
Depreciation	2,058	1,944	5.8	2,096	(1.8)	8,062	7,766	3.8
Interest paid	609	708	(14.0)	651	(6.5)	2,580	2,897	(10.9)
Gross margins (INR/mmbtu)	79.3	54.3	45.9	72.3	9.7	79.6	67.2	18.5
Kochi (tbtu)	16.0	15.0	6.7	15.0	6.7	59.0	55.0	7.3
Total volume (tbtu)	205.0	234.0	(12.4)	228.0	(10.1)	934.0	919.0	1.6
Gross margins mns	9,197	6,847	34.3	8,243	11.6	36,952	31,988	15.5

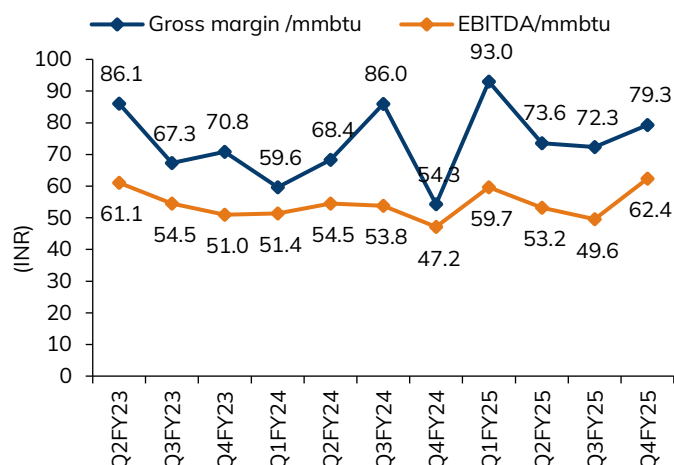
Source: Company data, I-Sec research

Exhibit 2: Decline in volume QoQ in Q4FY25



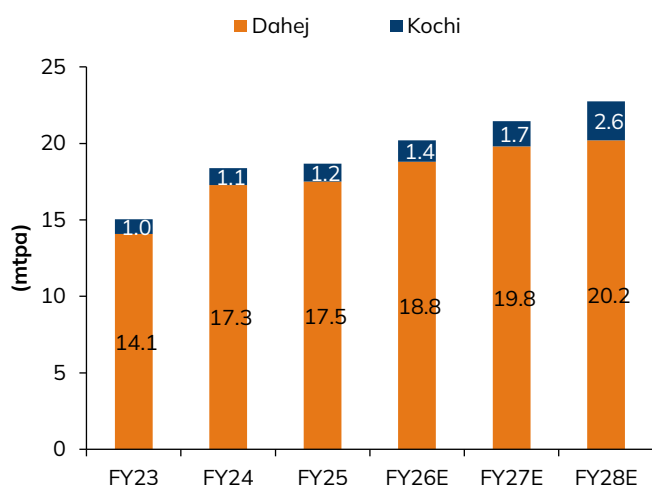
Source: Company data, I-Sec research

Exhibit 3: Tariffs – gross margin improved QoQ in Q4FY25



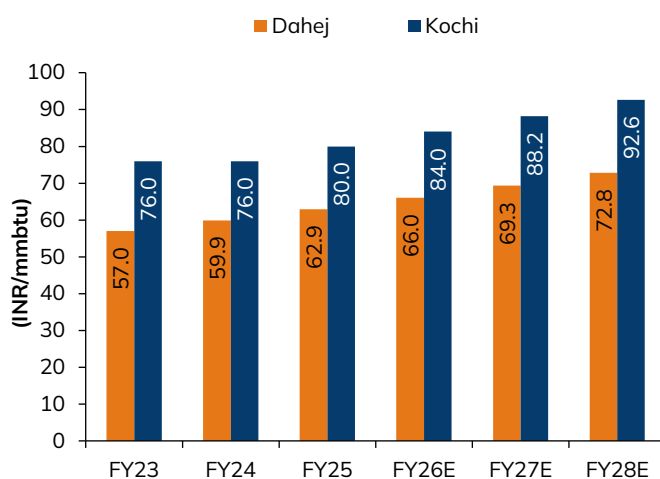
Source: Company data, I-Sec research

Exhibit 4: Volumes likely to improve over FY26–28E



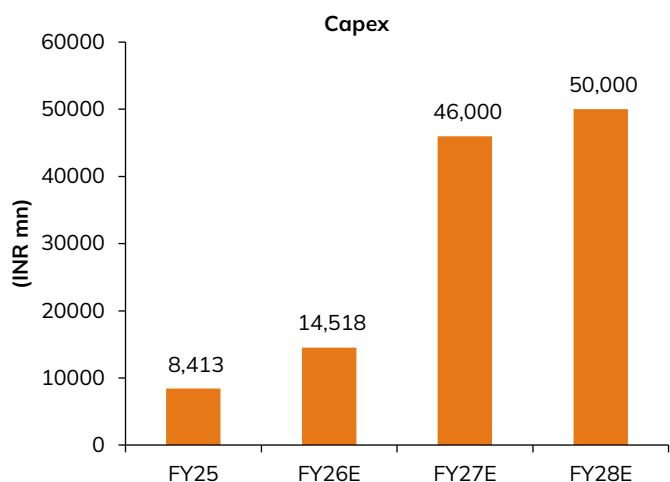
Source: Company data, I-Sec research

Exhibit 5: Blended tariffs may improve



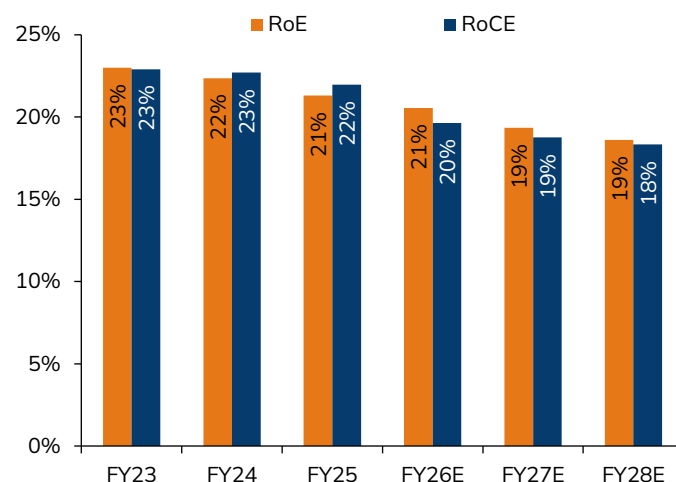
Source: Company data, I-Sec research

Exhibit 6: FY26–28E capex likely to grow materially

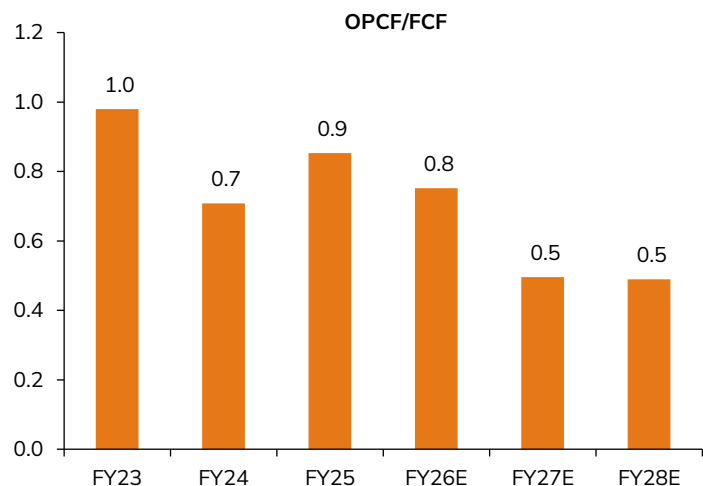


Source: Company data, I-Sec research

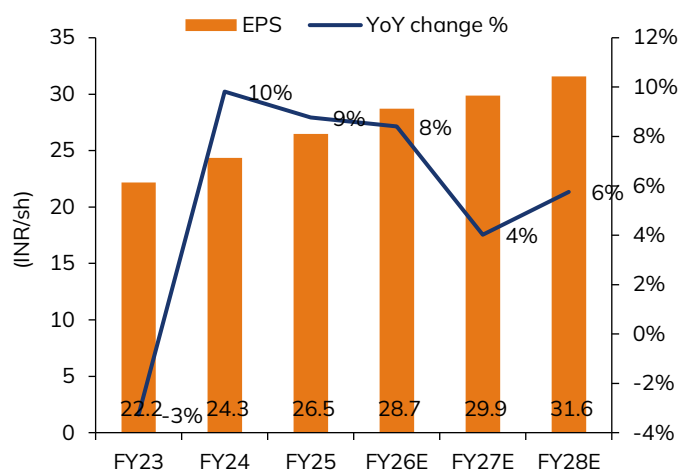
Exhibit 7: Return ratios to moderate



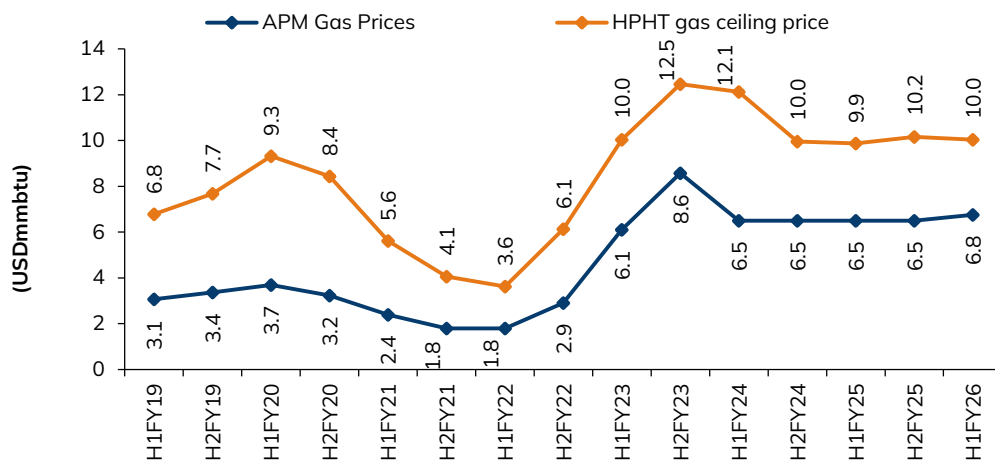
Source: Company data, I-Sec research

Exhibit 8: OpCF/FCF to remain at comfortable levels


Source: Company data, I-Sec research

Exhibit 9: Earnings CAGR likely at 4.9% over FY26–28E


Source: Company data, I-Sec research

Exhibit 10: APM gas price capped at USD 6.75/mmbtu and HPHT gas price remain muted for H1FY26 vs. H2FY25


Source: PPAC, I-Sec research

Exhibit 11: India's LNG capacity addition to gain momentum over the next couple of years

Location	Promoters	Name plate capacity (mt)	Expansion (mt)	Total (mt)	FY24 capacity utilisation	Comment
Dahej	Petronet LNG	17.5	5	22.5	95%	To be completed by Q4FY26.
Hazira	Shell Energy	5.2		5.2	30%	
Dabhol	Konkan LNG	5		5	43%	
Kochi	Petronet LNG	5		5	21%	Completion of Kochi–Bengaluru pipeline by end-CY25 should boost utilisation.
Ennore	Indian Oil LNG Pvt Ltd	5		5	19%	
Mundra	GSPC LNG	5		5	27%	
Dhamra	Adani total	5		5		
Chhara	HPCL	5		5		Commissioned in Jan'25.
Jaigarh	Jaigarh -FSRU		6	6		
Jafrabad	Swan LNG -FSRU		5	5		
Total		52.7	16	68.7		

Source: Company data, PPAC, I-Sec research

Exhibit 12: Petchem expansion estimates – very aggressive assumptions feeding into PLNG targeted EBITDA from this project

Particulars	Units	
Investment (including Working cap borrowings)	INR mn	2,06,850
Capacity	mt	0.75
EBITDA (RIL estimated Petchem EBITDA at ~USD 300/t)	USD/t	400
EBITDA	USD mn	300
EBITDA	INR mn	25,050
Depreciation (5%)	INR mn	10,343
EBIT	INR mn	14,708
RoCE (Pre-Tax)	INR mn	7.1%
For RoCE (Pre-Tax) of 20%	20%	
EBITDA/t requirement to meet management targets	USD/t	826
EBITDA targeted by PLNG	INR mn	41,370

Source: Bloomberg, I-Sec research

Valuation: Maintain **SELL**; target price revised to INR 250

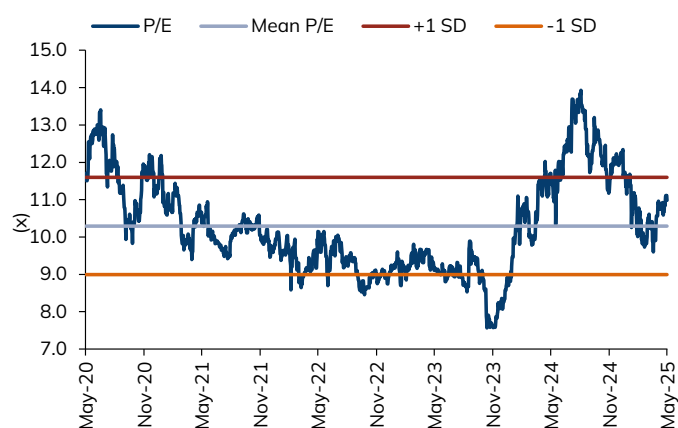
We value PLNG as per the DCF methodology, using a WACC of 11.5%, DER of 15%, long-term Dahej utilisation assumption of 100% and terminal growth rate of 2.0%. This leads to our target price of INR 250, ~21% downside from CMP.

Exhibit 13: Valuation summary

	Assumption
Cost of equity	13.0%
Cost of Debt	9.1%
WACC	11.5%
Terminal Growth Rate	2.0%
Average NPV potential (INR mn)	3,75,661
Target Price (INR)	250
CMP	317
Upside/(Downside)	-21%

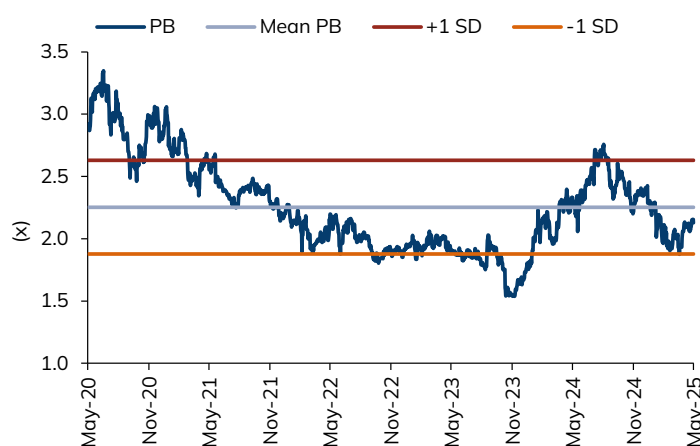
Source: Bloomberg, Company data

Exhibit 14: PLNG's P/E trading above 5-year average band charts



Source: Company data, I-Sec research

Exhibit 15: PLNG's P/B trading below 5-year average band



Source: Company data, I-Sec research

Exhibit 16: Shareholding pattern

%	Sep'24	Dec'24	Mar'25
Promoters	50.0	50.0	50.0
Institutional investors	38.3	39.7	39.9
MFs and others	11.0	10.5	10.5
FIs/Banks	0.0	0.5	0.5
Insurance	0.0	0.0	0.0
FIIIs	27.3	28.7	28.9
Others	11.7	10.3	10.1

Source: Bloomberg, I-Sec research

Exhibit 17: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 18: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Net Sales	5,09,820	6,02,840	6,99,595	8,12,851
EBITDA	55,242	59,974	62,998	67,130
EBITDA Margin (%)	10.8	9.9	9.0	8.3
Depreciation & Amortization	8,062	9,595	10,755	11,915
EBIT	47,179	50,379	52,243	55,216
Interest expenditure	-	-	-	-
Other Non-operating Income	7,730	7,943	8,306	8,686
PBT	52,329	55,947	58,265	61,709
Profit / (Loss) from Associates	888	1,200	1,200	1,200
Less: Taxes	13,490	14,082	14,665	15,532
PAT	38,839	41,865	43,600	46,177
Less: Minority Interest	-	-	-	-
Net Income (Reported)	39,727	43,065	44,800	47,377
Extraordinaries (Net)	-	-	-	-
Recurring Net Income	39,727	43,065	44,800	47,377

Source Company data, I-Sec research

Exhibit 19: Balance sheet

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Total Current Assets	1,41,607	1,28,210	1,12,532	1,09,442
of which cash & bank	91,044	74,303	55,977	48,720
Total Current Liabilities & Provisions	35,799	38,430	40,753	43,217
Net Current Assets	1,05,808	89,781	71,779	66,225
Other Non Current Assets	9,464	9,507	9,550	9,593
Net Fixed Assets	88,360	94,765	1,04,010	1,12,095
Other Fixed Assets	-	-	-	-
Capital Work in Progress	16,418	46,418	76,418	96,418
Non Investment	6,700	6,767	6,834	6,903
Current Investment	10,419	10,523	10,628	10,735
Deferred Tax Assets	-	-	-	-
Total Assets	2,37,169	2,57,760	2,79,220	3,01,968
Liabilities				
Borrowings	26,566	25,566	24,566	23,566
Deferred Tax Liability	5,938	5,938	5,938	5,938
Lease Liability	26,566	25,566	24,566	23,566
Other Liabilities	5,890	5,948	6,008	6,068
Equity Share Capital	15,000	15,000	15,000	15,000
Reserves & Surplus*	1,83,775	2,05,308	2,27,708	2,51,397
Total Net Worth	1,98,775	2,20,308	2,42,708	2,66,397
Minority Interest	-	-	-	-
Total Liabilities	2,37,169	2,57,760	2,79,220	3,01,968

Source Company data, I-Sec research

Exhibit 20: Quarterly trend

(INR mn, year ending March)

	Jun-24	Sep-24	Dec-24	Mar-25
Net Sales	1,34,151	1,30,218	1,21,099	1,23,158
% growth (YOY)	-2.7%	-2.9%	-7.0%	1.7%
EBITDA	15,630	12,721	11,307	12,793
Margin %	11.7%	9.8%	9.3%	10.4%
Other Income	2,181	2,016	1,961	1,995
Extraordinaries	-	-716	1,170	2,337
Adjusted Net Profit	11,416	9,193	7,500	8,953

Source Company data, I-Sec research

Exhibit 21: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Cash Flow from operation before working Capital	59,091	59,974	62,998	67,130
Working Capital Changes	(1,734)	(698)	(308)	(1,685)
Tax	(13,378)	(14,082)	(14,665)	(15,532)
Operating Cashflow	43,979	45,195	48,024	49,913
Capital Commitments	(14,518)	(46,000)	(50,000)	(40,000)
Free Cashflow	29,461	(805)	(1,976)	9,913
Others CFI	8,957	8,972	9,333	9,712
Cashflow from Investing Activities	(5,561)	(37,028)	(40,667)	(30,288)
Inc (Dec) in Borrowings	(6,421)	(1,000)	(1,000)	(1,000)
Interest Cost	(96)	(2,375)	(2,284)	(2,193)
Others	(15,000)	(21,533)	(22,400)	(23,689)
Cash flow from Financing Activities	(21,516)	(24,907)	(25,684)	(26,881)
Chg. in Cash & Bank balance	16,902	(16,741)	(18,327)	(7,257)
Closing cash & balance	91,044	74,303	55,977	48,720

Source Company data, I-Sec research

Exhibit 22: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
Per Share Data (INR)				
Recurring EPS	26.5	28.7	29.9	31.6
Diluted EPS	26.5	28.7	29.9	31.6
Recurring Cash EPS	31.9	35.1	37.0	39.5
Dividend per share (DPS)	10.0	14.4	14.9	15.8
Book Value per share (BV)	132.5	146.9	161.8	177.6
Dividend Payout (%)	37.8	50.0	50.0	50.0
Growth (%)				
Net Sales	(3.3)	18.2	16.0	16.2
EBITDA	6.1	8.6	5.0	6.6
EPS	8.8	8.4	4.0	5.8
Valuation Ratios (x)				
P/E	12.0	11.0	10.6	10.0
P/CEPS	9.9	9.0	8.6	8.0
P/BV	2.4	2.2	2.0	1.8
EV / EBITDA	7.2	6.9	6.9	6.5
EV / Operating Income	7.3	7.1	7.2	6.9
Dividend Yield (%)	3.2	4.5	4.7	5.0
Operating Ratios				
EBITDA Margins (%)	10.8	9.9	9.0	8.3
Effective Tax Rate (%)	25.8	25.2	25.2	25.2
Net Profit Margins (%)	7.8	7.1	6.4	5.8
NWC / Total Assets (%)	44.6	34.8	25.7	21.9
Fixed Asset Turnover (x)	3.6	3.8	4.0	4.2
Working Capital Days	12.3	11.9	10.4	9.9
Net Debt / Equity %	(37.7)	(26.9)	(17.3)	(13.5)
Profitability Ratios				
RoCE (%)	16.3	16.0	15.2	14.8
RoCE (Pre-tax) (%)	22.0	21.4	20.4	19.8
RoE (%)	21.3	20.6	19.4	18.6

Source Company data, I-Sec research

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